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# FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

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## NEWS RELEASE

### NEWS MEDIA CONTACT:

Barbara A. Connors  
(202) 208-0680

### FOR IMMEDIATE RELEASE

July 28, 1999  
Docket No. EL99-57-000

### COMMISSION OFFERS GUIDANCE ON FIRST TRANSCO PROPOSAL

In the first case of its kind, the Federal Energy Regulatory Commission provided guidance on whether passive ownership of a transmission company (transco) by a generating company or other electric market participant could satisfy the independent system operator (ISO) principles set out in its open access rule—Order No. 888—if it can be structured so as not to compromise the independence of transco operations. The Commission's ruling was in response to a petition filed by Entergy Services, Inc.

The Commission, noting that Entergy was asking for guidance on the passive ownership issue, said it would need far more detail in any transco filing made by the company to demonstrate independence and receive Commission approval.

Entergy's proposed transco would be a limited liability corporation. Entergy's five operating subsidiaries and any other transmission-owning companies that might want to join the transco would transfer their transmission assets and become passive owners of the transco. Entergy's proposed transco unites ownership of control and transmission facilities in one corporation, unlike an ISO which operates transmission owned by others of behalf of all market participants.

Chairman James J. Hoecker said: "Entergy's proposal evidences the industry's growing commitment to finding viable ways of managing the grid on a regional basis. While serious work remains to be done to flesh out Entergy's transco proposal, our action today begins to fill in the answers to key questions that will allow us all to judge the viability of a transco that does originate entirely from asset divestiture."

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In offering guidance to Entergy, the Commission emphasized that Entergy must develop mechanisms and make showings that ensure independence. For example, the Commission said that any additional filing would need to provide more detail on the governing board members' fiduciary duties, in order to ensure their independence.

In May, citing the importance of regional transmission organizations (RTOs) as the industry moves to a more competitive power market, the Commission issued a proposed rule (RM99-2-000) on the formation of RTOs, spelling out the minimum characteristics and functions of RTOs. Today's order does not apply the proposed RTO rules, but applies the ISO principles in Order No. 888, which the Commission built on in its proposal. The Commission emphasized that today's order does not prejudge any issues in the pending rulemaking.

Entergy, a public utility holding company, operates over 15, 000 miles of transmission lines in four states—Arkansas, Louisiana, Mississippi and Texas.